

Federal Home Loan Bank of Seattle ACCESS Pre-Development Fund

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Program Description

Funded at \$200,000 per year, Access is a recoverable grant program to cover the predevelopment costs associated with community-based economic development projects.

Program Background

During a series of focus groups involving Bank members, local governments and community agencies, a pre-development fund for economic development was cited as the highest unmet credit need.

Access builds on the Seattle Bank's successful 10-year Challenge Fund program (\$1.1 million set-aside; \$1.7 million granted) that provides recoverable grants for affordable housing development.

The goal for Access is to develop business relationships with new partners and create new lending opportunities for customers by funding pre-development activities.

The Basics

- \$200,000 available each year plus any funds recovered from awards made in earlier years.
- Awards for individual projects may be between \$1,000 and \$100,000 (avg. grant size - \$30,000).
- Awards determined by the project size and the community need. Non-competitive process.
- To date, \$375,000 has been allocated for 13 projects.
- Access is funded as a line-item expense for the bank.

Project Eligibility

- Funds are targeted to under-served communities in the 12th district that are undertaking a community-based, collaborative effort for revitalization and/or development.
- Funded projects are required to have a direct measurable positive community impact including retaining or creating jobs, or providing additional services leading to economic opportunities for persons of low and moderate income (not more than 115% of area median).
- Eligible applicants include local for-profit and non-profit developers engaged in economic development activities, community development groups, or public sector entities that are strengthening local capacity for economic development.
- Local Seattle Bank members need to demonstrate a commitment to the project's success in the form of cash or in-kind contributions of at least \$1,000.

Project Eligibility – Cont'd

- The project sponsor must demonstrate the need/demand for the project and identify how the project will meet this need/demand. Need can be demonstrated through community surveys or statistical analysis.
- Projects must be part of an established community-based collaborative effort. Local support must be demonstrated through donations or inclusion in a community or neighborhood plan approved by a unit of the local or state government.
- The developer must demonstrate its capacity to develop the type of community development project proposed. Sponsors/developers must be in full compliance with community lending programs previously awarded by the Seattle Bank.

Project Evaluation Criteria

- **Community Impact** – The project must have a direct measurable positive community impact as demonstrated by retaining or creating jobs for or providing additional services leading to economic opportunities for low and moderate income persons.
- **Financial Feasibility** -
 - Total projects costs should be reasonable and within the average range of development costs.
 - Developers Fees are not to exceed 10% of the total development costs without a reasonable explanation.
 - Reasonable debt coverage ratios must be demonstrated.
- **Franchise Value** – The project should enhance the Seattle Bank's franchise value by creating the opportunity to strengthen our partnerships with local lenders and the community. The project should be eligible for long term advances funding or create an asset for Seattle Bank investment.

Project Evaluation Criteria – Cont'd

- **Market Need/Demand** – The project sponsor must demonstrate the need/demand for the project and identify how the project will meet this need/demand
- **Community Support** – Local support must be demonstrated through donations or inclusion in a community or neighborhood plan approved by a unit of the local or state government.
- **Developer's Experience/capacity** – The developer must demonstrate their capacity or past experience in developing the type of community development project proposed. Sponsors/developers must be in full compliance with community lending programs previously awarded.
- **Probability of Repayment** – A clear source of repayment for the funds needs to be identified and included in the project's pro forma financial statements.

Application Process

1. Applications are solicited by Bank staff, at all levels, and across the Bank's district.
2. Applicants complete an application signed by the sponsor and a member financial institution. If the proposal meets guidelines, Bank staff will prepare a written recommendation and may visit the organization to review the project, proposed site and evaluate the organization's capacity to develop the project. Input will be solicited from other areas of the bank including Finance, Marketing and Credit.
3. In most cases, a decision will be made by the EVP within 30 days of receipt of the application. If the applicant is denied, the customer can modify the project and resubmit it to the Bank for reconsideration.
4. The applicant and bank sponsor must complete and return a customer/sponsor agreement letter.

Program Benefits

- Pre-development activities are required before a community can apply for private or public funding.
- A recoverable grant program encourages community banks to participate in the planning without taking undue risk. Also, it is a tool available only to Seattle Bank customers.
- The Seattle Bank develops working relationships with a variety of state and local partners engaged in community-based economic development.
- The program is flexible because it is a non-regulated grant program.

Program Limitations

- The Access Program cannot be the sole source of pre-development funds for a project.
- There are significant challenges and risks because each deal is at a very initial stage.
- The pre-development process is lengthy. It may take 3 or more years to determine whether a project is successful, thus increasing repayment risk or lengthening repayment period.
- Even successful economic development projects may not immediately create new business opportunities for lenders.

Sample Deals

In Ponderay ID, a community bank used the Access grant to pay for an engineering study required for improving access to the central business district.

In Maui HI, a regional bank used Access to help a local nonprofit organization create a retail incubator for Native Hawaiian crafts and food.

In Riverton WY, a regional bank provided a tribe with an Access grant to develop a senior care facility creating 2.5 jobs on the reservation.

In Portland OR, a stockholder CDFI used Access to help with the expansion of a successful minority business incubator in a distressed urban neighborhood.

Sample Deals

In Powell WY, a town of 5,000, a closed military base has been transformed into a high-tech incubator for small business development. The Access funds assisted with the architectural studies needed to obtain state funds.

In Seattle WA, a credit union will use \$30,000 in Access funds to create a loan loss reserve. The reserve will enable the credit union to make car loans to high-risk, low-income families participating in a job-training program sponsored by the Port Authority. The City of Seattle donated 75 cars for the pilot program. Another stockholder will provide financial literacy training for the families in the “Working Wheels” program.

Looking Ahead

- Because the program is still relatively new, there are not enough data to measure program impact.
- Customers, however, are very enthusiastic and have encouraged the Bank to continue to offer Access.
- Still “experimenting” with the use of Access Funds. Currently assessing the use of Access funds as a loan loss reserve to leverage customer investment in rural CDFIs building on the “Working Wheels” model.